



001047

THE CITY OF SAN DIEGO

337
7/10

DATE ISSUED: July 3, 2007

REPORT NO.: RTC-07-23
RTC-07-099

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of July 10, 2007

SUBJECT: Owner Participation Agreement and Associated Actions for the Verbena Project

REQUESTED ACTION:

- 1) That the Redevelopment Agency and City Council certify environmental review for the proposed actions; and
- 2) That the Agency approve the Basic Concept Drawings; and
- 3) That the City Council recommend Agency approval and the Agency approve authorizing execution of the Owner Participation Agreement with Verbena San Ysidro, L.P. for the Verbena Project; and
- 4) That the City Council and Agency approve Findings of Benefit for the use of 20% Low and Moderate Income Housing Set-Aside Funds outside source project areas including City Heights, North Park, North Bay, and Naval Training Center; and
- 5) That the Agency authorize the expenditure of \$5,586,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds as a residual receipts loan contribution to the project.

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

- 1) State for the record that the final Mitigated Negative Declaration (No. 41718) has been reviewed and considered prior to approving the project; and
- 2) Approve the Basic Concept Drawings; and
- 3) Authorize the Executive Director or designee to execute an Owner Participation Agreement with Verbena San Ysidro, L.P. for the Verbena Project, contingent upon the Office of the Auditor and Comptroller first certifying availability of funds; and
- 4) Approve Findings of Benefit for the use of 20% Low and Moderate Income Housing Set-Aside Funds outside source project areas including City Heights, North Park, North Bay, and Naval Training Center; and
- 5) Authorize the expenditure of funds for the Verbena Project in an amount not to exceed \$5,586,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds as a Redevelopment Agency residual receipts loan contribution to the project from the following direct sources: 1) \$930,000 from City Heights Housing Line of Credit; 2) \$930,000 from North Park Housing Line of Credit; 3) \$930,000 from North Bay Housing Line of Credit; 4) \$2,394,000 from Naval Training Center Housing Line of Credit; and 5) \$402,000 from San Ysidro Project Area.



Redevelopment Agency

1200 Third Avenue, Suite 1400, MS 56D • San Diego, CA 92101-4110
Tel (619) 236-6700 Fax (619) 533-3219

City Planning & Community Investment

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STAFF RECOMMENDATION TO THE CITY COUNCIL:

- 1) State for the record that the Council has previously reviewed and considered information contained in the final Mitigated Negative Declaration (No. 41718) as it pertains to the project; and
- 2) Approve Findings of Benefit for the use of 20% Low and Moderate Income Housing Set-Aside Funds outside source project areas including City Heights, North Park, North Bay, and Naval Training Center; and
- 3) Recommend to the Redevelopment Agency to enter into an Owner Participation Agreement for the Verbena Project.

SUMMARY:

The San Ysidro Redevelopment Plan (the Plan) was adopted in April 1996. The Plan identifies various redevelopment priorities including the creation of affordable housing units. San Ysidro's Third Five-Year Implementation Plan, adopted on August 8, 2006, identifies one goal and objective as the following: "Promote and enhance varied housing opportunities by improving the housing stock and expanding affordable housing opportunities which address community needs."

Chelsea Investment Corporation, dba Verbena San Ysidro, L.P. (the Developer), has submitted for funding assistance for the Verbena Project, a proposed 80-unit affordable housing development consisting of new rental apartments for very low to low income (30% to 60% AMI) families (the Project). The requested actions will allow for the execution of an Owner Participation Agreement (OPA) with Verbena San Ysidro, L.P. (see Attachment 1 – Owner Participation Agreement) for the implementation of the Project. The OPA includes various conditions prior to Agency funding including, but not limited to, Developer's acquisition of other funding sources, acquisition of land, and compliance with the City's Equal Opportunity Contracting program.

The Project is proposed to be developed on seven contiguous parcels equaling 6.8 acres (296,200 SF) and located at 3774 Beyer Blvd. (the Project Site), within the San Ysidro Redevelopment Project Area (see Attachment 2 – Site Map). The Project Site is near the intersection of Beyer Blvd and Foothill Blvd. The surrounding development includes primarily single and multi-family housing. The Project Site is near schools, park area, and a Trolley station. Furthermore, the Project Site is vacant with no demolition required. The Developer is under a Purchase and Sale Agreement with the existing property owner to acquire the entire Project Site. No additional property acquisition is necessary for project implementation.

The Project's physical design consists of 27 two-story triplex buildings located throughout the Project Site. Each triplex structure contains two 2-story three-bedroom units, and one single-story two-bedroom unit, all sitting on top of ground floor private garages. All units have attached one- or two-car garages. The Gross Building Area (GBA) is approximately 91,415 SF with a total of 177 parking spaces, or approximately 2.2 spaces per unit. Amenities will include a community room, computer center, classroom space, a tot lot and open space. For graphic information, please see Attachment 3 – Site Plan and Attachment 4 – Basic Concept Drawings.

Total project costs are \$28,861,000. The Developer seeks a public subsidy from the Redevelopment Agency of the City of San Diego (the Agency) for \$5,586,000. The Developer plans to submit an application to the State's Tax Credit Allocation Committee (TCAC) for 2nd Round (July) 2007 tax credits. The following subsections describe the Project in more detail.

Role	Firm/Contact	Ownership
Managing General Partner	Pacific Southwest Community Development Corporation Contact: Jack Jaynes	Non profit 501(C) 3 Corporation Jack Jaynes, President
Administrative General Partner	Chelsea Investment Corporation Contact: James J. Schmid	Schmid Family Trust James J. Schmid, Trustee Lynn H. Schmid, Trustee
Limited Partner	Verbena San Ysidro, L.P.	CIC Verbena, LLC Chelsea Investment Corp.
Limited Partner/ Tax Credit Equity Investor	TBD	
Construction	Emmerson Contruction, Inc. Contact: Ken Miller	James J. Schmid, 80% owner Charles Schmid, 20% owner
Architect	Stark Architecture + Planning (primary architect) Contact: Ken Miller Hedenkamp & Associates (consulting architect) Contact: Bill Hedenkamp	James P. Starck, owner William Hedenkamp, owner
Property Mangement	CIC Management, Inc. Contact: Robert Harrington	James J. Schmid, owner

Residential Project Summary

Project Summary	
Type of Housing	Multifamily Apartments - Rental
Land Area	6.8 Acres (296,208 SF)
Gross Building Area (GBA)	91,415 SF
Total Number of Units	80 (79 affordable, one 3BR Manager Unit)
Project Density	12 units/acre
Density of Surrounding Development	12-15 units/acre
Number of Affordable Units/Bedrooms	27 2-bedroom 52 3-bedroom 79 Units / 210 Bedrooms
Income Restrictions	8 @ 30% AMI 8 @ 40% AMI 40 @ 50% AMI 23 @ 60% AMI 79 @ 30% to 60% AMI
Site Control	Under Purchase Agreement with Owner
Relocation Issues	N/A
Number of Demolished Dwelling Units	N/A
Affordability of Demolished Units	N/A

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Affordable Unit Summary for 79 Income-Restricted Units

Number of Bedrooms	Residential Income Level	Number of Units	Monthly Rent Level
2 Bedrooms	30% AMI	2	\$438
2 Bedrooms	40% AMI	2	\$594
2 Bedrooms	50% AMI	14	\$750
2 Bedrooms	60% AMI	9	\$907
Total/Avg.	51% AMI	27	\$768
3 Bedrooms	30% AMI	6	\$507
3 Bedrooms	40% AMI	6	\$687
3 Bedrooms	50% AMI	26	\$8682
3 Bedrooms	60% AMI	14	\$1,048
Total/Avg.	49% AMI	52	\$854

Entitlements

The proposed design is consistent with the San Ysidro Community Plan and applicable zoning. A Planned Development Permit (PDP), including CEQA certification, was approved by the City Council in March of 2005. The PDP allows for an 81-unit condominium development on the Project Site. The Project concept is to convert a fully entitled 81-unit condominium project to an 80-unit rental apartment development.

Property Acquisition / Site Control

The Developer is under a Purchase and Sale Agreement with the existing owner of the Project Site, the closing of which is conditioned on the Developer securing project financing. There are no relocation issues related to the Project.

Proposed Project Schedule

Action	Timeline
Agency OPA Approval	June 2007
TCAC Application ¹	July 2007
Construction Start	Jan 2008
Construction Completion	June 2009
(1) If July 2007 TCAC application unsuccessful, two additional application rounds to be permitted under the OPA, and timeline would change accordingly.	

FISCAL CONSIDERATIONS:

Total project costs are \$28,861,000 (see Attachment 5 – Project Budget). It is proposed that the Project be financed with a combination of affordable housing tax credits, private financing, and Agency financing.

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The Project will seek 9% Affordable Housing Tax Credits from the California Tax Credit Allocation Committee (TCAC) during the next application cycle, with an application deadline of July 12, 2007. In order to meet the competitive eligibility requirements for TCAC financing, a project must demonstrate site control, or an approved OPA/DDA, evidence of full funding, and approval of entitlements. The Project meets TCAC's competitive eligibility requirements.

Private financing is proposed to be in the form of a construction loan and permanent loan. After the OPA hearing, other public financing shall be sought for the Project including Federal Home Loan Bank Affordable Housing Program (AHP) funds. In addition, the Developer has agreed to a Deferred Developer Fee of \$281,000, representing 20% of the total Developer Fee.

The proposed Agency financing for the Project is an amount not to exceed \$5,586,000 and would be in the form of a long-term (55-year) residual receipts loan to cover direct costs. This amount represents a maximum subsidy of \$70,000 per unit or \$26,000 per bedroom. If AHP funds are acquired by the Developer, or other cost savings are realized for the Project, the OPA is written to ensure the Agency's subsidy be reduced by those amounts received from other sources and/or cost savings. It is proposed that Agency funding be paid from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds including the Agency's Line of Credit, scheduled to be secured in June 2007, and more specifically from the following direct sources: 1) \$930,000 from City Heights Housing Line of Credit; 2) \$930,000 from North Park Housing Line of Credit; 3) \$930,000 from North Bay Housing Line of Credit; 4) \$2,394,000 from Naval Training Center Housing Line of Credit; and 5) \$402,000 from San Ysidro Project Area. The draw-down of Agency funds will initiated after the Developer successfully secures Tax Credits and construction financing and is proposed as follows:

First Disbursement: \$3,824,000 disbursed at Close, at securing Tax Credits and Construction Loan.
Second Disbursement: \$582,000 at Construction Quarter 1.
Third Disbursement: \$500,000 at Construction Quarter 2.
Fourth Disbursement: \$172,000 at Construction Quarter 3.
Fifth Disbursement: \$274,000 at Construction Quarter 4.
Final Disbursement: \$234,000 Remaining funds (Retention) at Quarter 5 and 6 – Lease Up.

The Project's pro forma has been analyzed by Agency staff and Keyser Marston Associates. Estimated costs, financing assumptions, and deal terms have been negotiated and are proposed in the OPA in accordance with the Agency's Affordable Housing Collaborative Program financing guidelines.

Findings of Benefit

The proposed source for the Agency's funding contribution to the Project is the Agency's 20% Low and Moderate Income Housing Set-Aside Funds Line of Credit, specifically from the following project areas: 1) City Heights; 2) North Park; 3) North Bay; and 4) Naval Training Center. California Community Redevelopment Law (CCRL) requires that the governing body make findings of benefit for the use of tax increment outside a project area. Please see Attachment 6- Findings of Benefit for the proposed findings.

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ENVIRONMENTAL IMPACTS:

There are no significant environmental impacts associated with the Project. The City Council has previously reviewed and certified the information contained in the final Mitigated Negative Declaration (No. 41718, adopted March 8, 2005) as it pertains to the Project (see Attachment 7 – Mitigated Negative Declaration).

PREVIOUS AGENCY and/or COUNCIL ACTIONS:

On July 25, 2006, the Agency approved the pooling of the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for the purpose of funding projects such as the Verbena Project. On March 8, 2005, the City Council approved a Planned Development Permit for the Project.

OTHER RECOMMENDATIONS:

On June 15, 2007, the Agency's Affordable Housing Collaborative Executive Loan Committee (ELC) voted 2 - 1 in favor of the Project's concept and proposed financing structure.

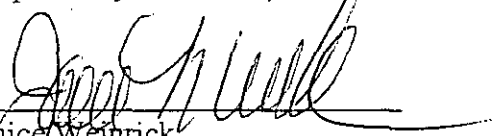
COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

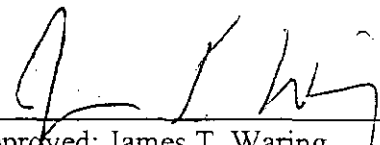
On August 17, 2004 and May 15, 2007, the Project was presented to the San Ysidro Planning and Development Group (SYPDG), at which times SYPDG voted in support of the Project's concept and/or proposed OPA. There is no Project Area Committee (PAC) in San Ysidro.

ALTERNATIVE:

Do not approve the proposed OPA and associated actions. This action would not enable the implementation of a valuable affordable housing project in the San Ysidro community.

Respectfully submitted,


Janice Weinrick
Deputy Executive Director
Redevelopment Agency/
Assistant Director
City Planning and Community Investment


Approved: James T. Waring
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

- Attachments:
1. Owner Participation Agreement
 2. Site Map
 3. Site Plan
 4. Basic Concept Drawings
 5. Project Budget
 6. Findings of Benefit
 7. Mitigated Negative Declaration

001053 : DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION

DATE:
June 21, 2007

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7/10

SUBJECT: Owner Participation Agreement and Associated Actions for the Verbena Project

GENERAL CONTRACT INFORMATION

Recommended Consultant: Chelsea Investment Corporation

Amount of this Action: \$5,586,000

Funding Source: Federal

SUBCONSULTANT PARTICIPATION

No subconsultant participation for this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

Chelsea Investment Corporation submitted a Work Force Report for their San Diego employees dated June 20, 2007 with a total of 19 employees. The firm's Work Force Analysis reflects that no under representations exist.

ADDITIONAL COMMENTS

The *Work Force Analysis* is attached.

JLR

File: Admin WOFO 2000

Date WOFO Submitted: 6/20/2007
Input by: SHGoals reflect statistical labor force
availability for the following: 2000 CLFA
San Diego, CACity of San Diego/Equal Opportunity Contracting
WORK FORCE ANALYSIS REPORTFOR
Company: Chelsea Investment Corp.

I. TOTAL WORK FORCE:

	Black			Hispanic			Asian			American Indian			Filipino			White		Other	
	CLFA Goals	M	F	CLFA Goals	M	F	CLFA Goals	M	F	CLFA Goals	M	F	CLFA Goals	M	F	M	F	M	F
Mgmt & Financial	3.3%	0	0	11.9%	0	0	6.2%	0	0	0.4%	0	0	6.2%	0	0	0	0	0	0
Professional	4.0%	0	0	12.6%	0	0	6.5%	0	0	0.5%	0	0	6.5%	0	0	0	0	0	0
A&E, Science, Computer	2.8%	0	0	7.3%	0	0	16.2%	0	0	0.3%	0	0	16.2%	0	0	0	0	0	0
Technical	6.6%	0	0	14.8%	0	0	17.2%	0	0	0.4%	0	0	17.2%	0	0	0	0	0	0
Sales	3.9%	0	0	19.5%	0	0	8.8%	0	0	0.6%	0	0	8.8%	0	0	0	0	0	0
Administrative Support	7.0%	0	1	20.8%	0	0	8.8%	0	0	0.8%	0	0	8.8%	0	2	0	0	0	0
Services	5.5%	0	0	36.8%	0	0	9.7%	0	0	0.6%	0	0	9.7%	0	0	0	0	0	0
Crafts	4.5%	0	0	25.8%	0	0	9.1%	0	0	0.7%	0	0	9.1%	0	0	0	0	0	0
Operative Workers	4.3%	0	0	38.8%	0	0	20.8%	0	0	0.3%	0	0	20.8%	0	0	0	0	0	0
Transportation	8.1%	0	0	32.1%	0	0	4.5%	0	0	0.5%	0	0	4.5%	0	0	0	0	0	0
Laborers	4.4%	0	0	54.0%	0	0	4.1%	0	0	0.5%	0	0	4.1%	0	0	0	0	0	0
TOTAL		0	1		0	1		1	1		0	0		0	2		7	6	0

HOW TO READ TOTAL WORK FORCE SECTION:

The information blocks in Section 1 (Total Work Force) identify the absolute number of the firm's employees. Each employee is listed in their respective ethnic/gender and employment category. The percentages listed under the heading of "CLFA Goals" are the County Labor Force Availability goals for each employment and ethnic/gender category.

Mgmt & Financial
Professional
A&E, Science, Computer
Technical
Sales
Administrative Support
Services
Crafts
Operative Workers
Transportation
Laborers

TOTAL EMPLOYEES			Female Goals
ALL	M	F	
15	7	8	59.8%
0	0	0	59.5%
1	1	0	22.3%
0	0	0	49.0%
0	0	0	49.4%
3	0	3	73.2%
0	0	0	62.3%
0	0	0	8.6%
0	0	0	36.7%
0	0	0	15.2%
0	0	0	11.1%
TOTAL	19	11	

HOW TO READ EMPLOYMENT ANALYSIS SECTION:

The percentages listed in the goals column are calculated by multiplying the CLFA goals by the number of employees in that job category. The number in that column represents the percentage of each protected group that should be employed by the firm to meet the CLFA goal. A negative number will be shown in the discrepancy column for each underrepresented goal of at least 1.00 position.

II. EMPLOYMENT ANALYSIS

	Black			Hispanic			Asian			American Indian			Filipino			Female		
	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy
Mgmt & Financial	0.50	0	N/A	1.79	0	N/A	0.93	2	1.07	0.00	0	0.00	0.93	0	N/A	5.97	8	2.03
Professional	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
A&E, Science, Computer	0.03	0	N/A	0.07	0	N/A	0.16	0	N/A	0.00	0	N/A	0.16	0	N/A	0.22	0	N/A
Technical	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Sales	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Administrative Support	0.21	1	N/A	0.62	0	N/A	0.28	0	N/A	0.02	0	N/A	0.28	2	1.74	2.20	3	N/A
Services	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Crafts	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Operative Workers	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Transportation	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Laborers	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00

Goals are set by job categories for each protected group. An underrepresentation is indicated by a negative number, but if the DISCREPANCY is less than -1.00 position, a N/A will be displayed to show there is no underrepresentation.

001057 REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		1. CERTIFICATE NUMBER (for auditor's use only) 337 7/10					
TO: CITY ATTORNEY	2. FROM: (ORIGINATING DEPARTMENT) CITY PLANNING AND COMMUNITY INVESTMENT/ REDEVELOPMENT DIVISION						
4. SUBJECT: Owner Participation Agreement and Associated Actions for the Verbena Project (Companion to Redevelopment Agency)		3. DATE July 4, 2007					
5. Primary Contact: (Name, Phone & Mail Sta.) Robert Chavez, 236-6263, 56D	6. Secondary Contact (Name, Phone & Mail Sta.) Sam Johnson, 236-6265, MS 56D	7. Check BOX if REPORT TO COUNCIL IS ATTACHED <input type="checkbox"/>					
8. COMPLETE FOR ACCOUNTING PURPOSES							
FUND DEPT. ORGANIZATION OBJECT ACCOUNT JOB ORDER C.I.P. NUMBER AMOUNT	9. ADDITIONAL INFORMATION/ ESTIMATED COST: Fiscal Impact: None						
10. ROUTING AND APPROVALS							
ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED
1	Assistant Director, CP&CI, Redevelopment	Janice L. Weinrich <i>[Signature]</i>	6/22/07				
2	City Planning & Community Investment Director	William Anderson <i>[Signature]</i>	6/22/07	8	Auditor	Rolando Charvel <i>[Signature]</i>	6/26/07
3	Debt Management	Lakshmi Kommi <i>[Signature]</i>	6/26/07	9	City Attorney	Kendall Berkeley <i>[Signature]</i>	6/27/07
4	Financial Management	Irina Kamitsis <i>[Signature]</i>	6/26/07	10	Originating Department	Robert Chavez <i>[Signature]</i>	6/27/07
5	EOC	Celia Griffin <i>[Signature]</i>	6/25/07				
6	EAS	Terri Bumgardner <i>[Signature]</i>	6/26/07	11	Docket Coord. _____ Council Liaison _____		
7	Deputy Chief Operating Officer, Land Use & Economic Development	James T. Waring <i>[Signature]</i>	6/27/07		COUNCIL PRESIDENT <input type="checkbox"/> Spob <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION 7-5 <input type="checkbox"/> REFER TO _____ COUNCIL DATE: 7/10/07		
11. PREPARATION OF: <input checked="" type="checkbox"/> RESOLUTION(S) <input type="checkbox"/> ORDINANCE(S) <input type="checkbox"/> AGREEMENT(S) <input type="checkbox"/> DEED(S)							
1. State for the record that the Council has previously reviewed and considered information contained in the final Mitigated Negative Declaration (No. 41718) as it pertains to the project.							
2. Approve Findings of Benefit for the use of 20% Low and Moderate Income Housing Set-Aside Funds outside source project areas including City Heights, North Park, North Bay, and Naval Training Center.							
3. Recommend to the Redevelopment Agency to enter into an Owner Participation Agreement for the Verbena Project.							
DOCKET OF: July 10, 2007							
11a. STAFF RECOMMENDATIONS: Approve the resolution(s).							
12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.) COUNCIL DISTRICT(S): 8 Community Planning Area(s): San Ysidro Environmental Impact: The City of San Diego as Lead Agency under CEQA has reviewed and considered MND No. 41718, dated December 15, 2004 covering this activity; adopted March 8, 2005, by Resolution No. 300200. Housing Impact: The project will create 80 new rental housing units, 79 of which will have rents restricted for 55 years at levels affordable to low and very low income households. Other Issues: City Clerk Instruction: Please send copies of the resolution(s) to Jeannette Santos, MS 54D and Robert Chavez, MS 54D							

EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: July 3, 2007

REPORT NO.: RTC-07-23
RTC-07-099ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of July 10, 2007

ORIGINATING DEPARTMENT: City Planning and Community Investment

SUBJECT: Owner Participation Agreement and Associated Actions for Verbena Project

COUNCIL DISTRICT(S): 8

STAFF CONTACT: Robert Chavez, 619-236-6263

REQUESTED ACTION:

- 1) That the Redevelopment Agency and City Council certify environmental review for the proposed actions; and
- 2) That the Agency approve the Basic Concept Drawings; and
- 3) That the City Council recommend Agency approval and the Agency approve authorizing execution of the Owner Participation Agreement with Verbena San Ysidro, L.P. for the Verbena Project; and
- 4) That the City Council and Agency approve Findings of Benefit for the use of 20% Low and Moderate Income Housing Set-Aside Funds outside source project areas including City Heights, North Park, North Bay, and Naval Training Center; and
- 5) That the Agency authorize the expenditure of funds for the Verbena Project in an amount not to exceed \$5,586,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds Line of Credit (LOC) as a Redevelopment Agency residual receipts loan contribution to the project, specifically from the following direct sources: 1) \$930,000 from City Heights LOC; 2) \$930,000 from North Park LOC; 3) \$930,000 from North Bay LOC; 4) \$2,394,000 from Naval Training Center LOC; and 5) \$402,000 from San Ysidro Project Area existing 20% funds.

STAFF RECOMMENDATION:

That the City Council and Redevelopment Agency approve the requested actions.

EXECUTIVE SUMMARY:

An Owner Participation Agreement is proposed to authorize and obligate the Redevelopment Agency to assist the Verbena Project by providing financial assistance with a residual receipts loan in an amount not to exceed \$5,586,000. The developer is Chelsea Investment Corporation, dba Verbena San Ysidro, L.P. (the Developer). The Developer has proposed the development of a new 80-unit rental housing project located at 3774 Beyer Boulevard, within the San Ysidro Redevelopment Project Area (the Project).

The Project is proposed to be developed on seven contiguous parcels equaling 6.8 acres and located at 3774 Beyer Blvd. (the Project Site). The surrounding development includes primarily single and multi-family housing. The Project Site is vacant with no demolition required. Furthermore, the

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Developer is under a Purchase and Sale Agreement with the existing property owner to acquire the entire Project Site. No additional property acquisition is necessary for project implementation.

The Project is proposed to include 27 two-bedroom units and 53 three-bedroom units, all but one with restricted rents for 55 years to levels affordable to households earning up to 30%, 40%, 50% and 60% of Area Median Income. The Project's design consists of 27 two-story triplex buildings located throughout the Project Site. Each triplex structure contains two 2-story three-bedroom units, and one single-story two-bedroom unit, all sitting on top of ground floor private garages. All units have attached one- or two- car garages. The Gross Building Area (GBA) is approximately 91,415 SF, with a total of 177 parking spaces, or approximately 2.2 spaces per unit. Amenities will include a community room, computer center, classroom space, a tot lot and open space. Regarding environmental impacts, a Mitigated Negative Declaration was certified by the Council for the Project on March 8, 2005. The Project Site is fully entitled.

FISCAL CONSIDERATIONS:

The total project cost is \$28,861,000 and is proposed to be funded with Affordable Housing 9% tax credits, private financing, deferred developer fee, Federal Home Loan Bank Affordable Housing Program funds, and Agency 20% Low and Moderate Income Housing Set-Aside Funds. The Developer plans to apply to the State for tax credits on July 12, 2007. Project savings and/or additional revenues will be used to reduce the Agency financing contribution. Keyser Marston Associates has been used to verify the validity of the project pro forma. This work supports the project cost estimates and verifies that the project financing terms are substantially consistent with the financing guidelines provided for the Agency's Affordable Housing Collaborative Program.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On July 25, 2006, the Agency approved the pooling of the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for the purpose of funding projects such as the Verbena Project. On March 8, 2005, the City Council approved a PDP for the Project.

OTHER RECOMMENDATIONS:

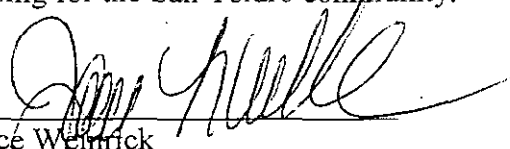
The Agency's Affordable Housing Collaborative Executive Loan Committee (ELC) reviewed the Project and voted in support (2 - 1) on June 15, 2007.

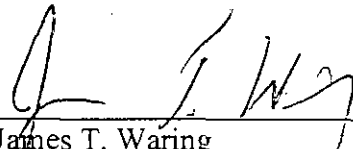
COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On August 17, 2004 and May 15, 2007, the Project was presented to the San Ysidro Planning and Development Group (SYPDG), at which times SYPDG voted in support of the Project's concept and/or proposed OPA. There is no Project Area Committee (PAC) in San Ysidro.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

The Project is expected to provide significant community enhancement and valuable affordable housing for the San Ysidro community.


Janice Wehrick
Deputy Executive Director,
Redevelopment Agency/
Assistant Director
City Planning and Community Investment


James T. Waring
Assistant Executive Director,
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

001061

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN
DIEGO CERTIFYING ENVIRONMENTAL REVIEW FOR THE
VERBENA AFFORDABLE APARTMENTS PROJECT
LOCATED IN THE SAN YSIDRO REDEVELOPMENT
PROJECT AREA.

WHEREAS, the Council of the City of San Diego is considering a proposed Owner Participation Agreement [OPA] for the development of the Verbena Affordable Apartments Project [Project] located in the San Ysidro Redevelopment Project Area; and

WHEREAS, a Mitigated Negative Declaration Number [MND] No. 41718 has been prepared for the proposed Project; and

WHEREAS, a Mitigation, Monitoring and Reporting Program has been prepared for the proposed Project; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego as follows:

1. That the City Council hereby certifies that the information contained in MND No. 41718 has been completed in compliance with the California Environmental Quality Act [CEQA] and the State CEQA Guidelines and that said report reflects the independent judgment of the City of San Diego as Lead Agency.

2. That the City Council hereby states for the record that the Mitigated Negative Declaration has been reviewed and considered prior to approving the Project and the Owner

Participation Agreement.

3. That the Mitigation, Monitoring and Reporting Program is hereby adopted.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By Kendall D. Berkey
Kendall D. Berkey
Deputy City Attorney

KDB:nda
06/26/07
Or.Dept:Redev.Agency
R-2007-1299
MMS#5029
Comp. R-2007-1300
R-2007-1302
RA-2007-126
RA-2007-128
RA-2007-129
RA-2007-130
RA-2007-131

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

(B)

001063

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN
DIEGO APPROVING THE REDEVELOPMENT AGENCY
ENTERING INTO AN OWNER PARTICIPATION
AGREEMENT FOR THE VERBENA AFFORDABLE
APARTMENTS PROJECT IN THE SAN YSIDRO
REDEVELOPMENT PROJECT AREA.

WHEREAS, the Redevelopment Agency of the City of San Diego [Agency] is engaged
in activities necessary to carry out and implement the Redevelopment Plan for the San Ysidro
Redevelopment Project Area [Project Area]; and

WHEREAS, in order to carry out and implement the Redevelopment Plan for the Project
Area, the Agency has negotiated and proposes to enter into an Owner Participation Agreement
[Agreement] with Verbena San Ysidro, L.P. [Developer] pursuant to which the Agency will
provide financial assistance to the Developer for the development of a low income residential
project known as the Verbena Affordable Apartments Project [Project]; and

WHEREAS, Developer has submitted to the Agency and to the Council of the City of
San Diego copies of the proposed Agreement in a form desired by Developer; and

WHEREAS, the Council of the City of San Diego has duly considered all terms and
conditions set forth in the proposed Agreement and determines that the Project is in the best
interests of the City and the health, safety, morals and welfare of its residents, and in accord with
the public purposes and provisions of applicable state and local law and requirements; NOW,
THEREFORE,

001064

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. That the Council has received and heard all oral and written objections to the proposed Owner Participation Agreement, and to other matters pertaining to the Project, and that all such oral and written objections are overruled.
2. That the Council finds and determines that all consideration to be paid pursuant to the Agreement is in amounts necessary to effectuate the purposes of the Redevelopment Plan for the Project Area.
3. That the Owner Participation Agreement which establishes the terms and conditions for the development and implementation of the Project is approved, contingent upon the Office of the Auditor & Comptroller first certifying the availability of funds.
4. That a copy of the Owner Participation Agreement, when executed by the Redevelopment Agency, shall be placed on file in the office of the City Clerk as Document No.

D-_____.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By Kendall D. Berkey
Kendall D. Berkey
Deputy City Attorney

KDB:nda
06/26/07
Or.Dept:Redev.Agency
R-2007-1300
MMS#5029
Comp. R-2007-1299
R-2007-1302
RA-2007-126
RA-2007-128
RA-2007-129
RA-2007-130
RA-2007-131

001065

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

(c)

001067

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO MAKING CERTAIN FINDINGS RELATING TO THE USE OF HOUSING SET-ASIDE FUNDS OUTSIDE OF THE CITY HEIGHTS, NORTH PARK, NORTH BAY, AND NAVAL TRAINING CENTER REDEVELOPMENT PROJECT AREAS FOR THE DEVELOPMENT OF THE VERBENA AFFORDABLE APARTMENTS PROJECT IN THE SAN YSIDRO REDEVELOPMENT PROJECT AREA.

WHEREAS, in accordance with California Community Redevelopment Law, codified as California Health and Safety Code section 33000 et seq. [Law], the Redevelopment Agency of the City of San Diego [Agency] has set aside twenty percent (20%) of all tax increment funds [Set-Aside Funds] generated by Redevelopment Project Areas for the purpose of increasing and improving the supply of low- and moderate-income housing available at an affordable housing cost; and

WHEREAS, the Law provides that Set-Aside Funds shall be used to provide housing for specific income groups, and that findings of benefit to the redevelopment project area from which the funds are derived [Findings of Benefit] must be made by the Agency and the City Council prior to the allocation of Set-Aside Funds outside of the redevelopment project area; and

WHEREAS, the Agency has also adopted Redevelopment Agency Policy 100-1 which allows for the use of Set-Aside Funds outside a redevelopment project area provided the findings of benefit are made as required by the Law; and

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WHEREAS, the City Council approves an Owner Participation Agreement for the Verbena Affordable Apartments Project in the San Ysidro Redevelopment Project Area and in connection therewith the Agency will allocate \$5,586,000 of housing set-aside funds from the San Ysidro, City Heights, North Park, North Bay, and Naval Training Center Redevelopment Project Areas for the Project; and

WHEREAS, the City Council finds that the expenditure of City Heights, North Park, North Bay, and Naval Training Center Redevelopment Project Area low and moderate income housing set-side funds in the amount of \$5,184,000 (the remaining \$402,000 is allocated from San Ysidro Project Area set-aside funds) outside of the City Heights, North Park, North Bay, and Naval Training Center Redevelopment Project Areas will be of benefit to the City Heights, North Park, North Bay, and Naval Training Center Redevelopment Project Areas: NOW, THEREFORE,

BE IT RESOLVED, that the Council of the City of San Diego makes the Findings of Benefit to the City Heights, North Park, North Bay, and Naval Training Center Redevelopment Project Areas, as more fully set forth in Attachment "A", attached hereto and incorporated herein by this reference.

001069

BE IT FURTHER RESOLVED, that the 20% Set Aside Funds shall be utilized for the development and implementation of the proposed Verbena Affordable Apartments Project in the San Ysidro Redevelopment Project Area.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By



Kendall D. Berkey
Deputy City Attorney

KDB:nda

06/26/07

Or.Dept:Redev.Agency

R-2007-1302

MMS#5029

Comp. R-2007-1299

R-2007-1300

RA-2007-126

RA-2007-128

RA-2007-129

RA-2007-130

RA-2007-131

001070

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

001071

Attachment A

001072 Findings of Benefit Summary – City Heights Redevelopment Project Area

Verbena Project

It is proposed that funds from the City Heights Low and Moderate Income Housing Funds (Housing Funds) be used outside of the City Heights Redevelopment Project Area (Project Area) to assist in the development of an 80 unit affordable housing project called the Verbena Project (the Project). The Verbena Project site is located at 3774 Beyer Boulevard, within the San Ysidro Redevelopment Project Area. The Verbena Project would provide two- and three-bedroom units at rents affordable to families earning between 30% and 60% of the Area Median Income. The use of Housing Funds for the Project will be of benefit to the Project Area, in that:

- The use of Housing Funds for the Project will enable the Redevelopment Agency to increase and improve the supply of very low and low income housing within the City of San Diego.
- The use of the Housing Funds for the Project will assist in the development of a total of 79 affordable units, with 8 of the units to be made affordable for tenants earning no more than 30% of the Area Median Income, 8 of the units to be made affordable for tenants earning no more than 40% of the Area Median Income, 40 of the units to be made affordable for tenants earning no more than 50% of Area Median Income and 23 of the units to be made affordable for tenants earning no more than 60% of the Area Median Income.
- Credit for the production of affordable units is given annually to agencies by the California Housing and Community Development Department, in accordance with State Law. If tax increment funds are used for the development of affordable units outside of the source project area, a maximum of one-half credit for every unit produced may be awarded to the source project area. The benefit to the Project Area is the potential to have a maximum credit of 40 units for funding affordable housing outside of the Project Area.
- The Project is located within two blocks of public transit, both bus and trolley, which will provide means for residents of the Project to commute to jobs in the Project Area.

Findings of Benefit Summary – North Park Redevelopment Project Area**Verbena Project**

It is proposed that funds from the North Park Low and Moderate Income Housing Funds (Housing Funds) be used outside of the North Park Redevelopment Project Area (Project Area) to assist in the development of an 80 unit affordable housing project called the Verbena Project (the Project). The Verbena Project site is located at 3774 Beyer Boulevard, within the San Ysidro Redevelopment Project Area. The Verbena Project would provide two- and three-bedroom units at rents affordable to families earning between 30% and 60% of the Area Median Income. The use of Housing Funds for the Project will be of benefit to the Project Area, in that:

- The use of Housing Funds for the Project will enable the Redevelopment Agency to increase and improve the supply of very low and low income housing within the City of San Diego.
- The use of the Housing Funds for the Project will assist in the development of a total of 79 affordable units, with 8 of the units to be made affordable for tenants earning no more than 30% of the Area Median Income, 8 of the units to be made affordable for tenants earning no more than 40% of the Area Median Income, 40 of the units to be made affordable for tenants earning no more than 50% of Area Median Income and 23 of the units to be made affordable for tenants earning no more than 60% of the Area Median Income.
- Credit for the production of affordable units is given annually to agencies by the California Housing and Community Development Department, in accordance with State Law. If tax increment funds are used for the development of affordable units outside of the source project area, a maximum of one-half credit for every unit produced may be awarded to the source project area. The benefit to the Project Area is the potential to have a maximum credit of 40 units for funding affordable housing outside of the Project Area.
- The Project is located within two blocks of public transit, both bus and trolley, which will provide means for residents of the Project to commute to jobs in the Project Area.

Findings of Benefit Summary – North Bay Redevelopment Project Area**Verbena Project**

It is proposed that funds from the North Bay Low and Moderate Income Housing Funds (Housing Funds) be used outside of the North Bay Redevelopment Project Area (Project Area) to assist in the development of an 80 unit affordable housing project called the Verbena Project (the Project). The Verbena Project site is located at 3774 Beyer Boulevard, within the San Ysidro Redevelopment Project Area. The Verbena Project would provide two- and three-bedroom units at rents affordable to families earning between 30% and 60% of the Area Median Income. The use of Housing Funds for the Project will be of benefit to the Project Area, in that:

- The use of Housing Funds for the Project will enable the Redevelopment Agency to increase and improve the supply of very low and low income housing within the City of San Diego.
- The use of the Housing Funds for the Project will assist in the development of a total of 79 affordable units, with 8 of the units to be made affordable for tenants earning no more than 30% of the Area Median Income, 8 of the units to be made affordable for tenants earning no more than 40% of the Area Median Income, 40 of the units to be made affordable for tenants earning no more than 50% of Area Median Income and 23 of the units to be made affordable for tenants earning no more than 60% of the Area Median Income.
- Credit for the production of affordable units is given annually to agencies by the California Housing and Community Development Department, in accordance with State Law. If tax increment funds are used for the development of affordable units outside of the source project area, a maximum of one-half credit for every unit produced may be awarded to the source project area. The benefit to the Project Area is the potential to have a maximum credit of 40 units for funding affordable housing outside of the Project Area.
- The Project is located within two blocks of public transit, both bus and trolley, which will provide means for residents of the Project to commute to jobs in the Project Area.

Verbena Project

It is proposed that funds from the Naval Training Center Low and Moderate Income Housing Funds (Housing Funds) be used outside of the Naval Training Center Redevelopment Project Area (Project Area) to assist in the development of an 80 unit affordable housing project called the Verbena Project (the Project). The Verbena Project site is located at 3774 Beyer Boulevard, within the San Ysidro Redevelopment Project Area. The Verbena Project would provide two- and three-bedroom units at rents affordable to families earning between 30% and 60% of the Area Median Income. The use of Housing Funds for the Project will be of benefit to the Project Area, in that:

- The use of Housing Funds for the Project will enable the Redevelopment Agency to increase and improve the supply of very low and low income housing within the City of San Diego.
- The use of the Housing Funds for the Project will assist in the development of a total of 79 affordable units, with 8 of the units to be made affordable for tenants earning no more than 30% of the Area Median Income, 8 of the units to be made affordable for tenants earning no more than 40% of the Area Median Income, 40 of the units to be made affordable for tenants earning no more than 50% of Area Median Income and 23 of the units to be made affordable for tenants earning no more than 60% of the Area Median Income.
- Credit for the production of affordable units is given annually to agencies by the California Housing and Community Development Department, in accordance with State Law. If tax increment funds are used for the development of affordable units outside of the source project area, a maximum of one-half credit for every unit produced may be awarded to the source project area. Because of completed, current and planned redevelopment of the Project Area, there is no viable land area that is available for development of very low, low and moderate income housing at NTC. The benefit to the Project Area is the potential to have a maximum credit of 40 units for funding affordable housing outside of the Project Area.
- The Project is located within two blocks of public transit, both bus and trolley, which will provide means for residents of the Project to commute to jobs in the Project Area.

001077

PLEASE REFER TO THE
REDEVELOPMENT AGENCY BINDER
FOR THE BACK UP MATERIAL

OWNER PARTICIPATION AGREEMENT

(Verbena Affordable Apartments Project)

by and between

**REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO, Agency,**

and

VERBENA SAN YSIDRO, L.P.,
a California limited partnership, Owner.